

VZCZCXYZ0000
RR RUEHWEB

DE RUEHTL #0352/01 1501421
ZNR UUUUU ZZH
R 301421Z MAY 07
FM AMEMBASSY TALLINN
TO RUEHC/SECSTATE WASHDC 9867
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHMO/AMEMBASSY MOSCOW 2509

UNCLAS TALLINN 000352

SIPDIS

STATE FOR EUR/NB

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ECON](#) [ENRG](#) [PREL](#) [RU](#) [EN](#)

SUBJECT: Estonian Policy Makers Discuss Energy Options

Ref: Tallinn 227

¶1. (SBU) Summary: At a recent roundtable discussion on the future of Estonian energy policy, key players in Estonian government, industry and academia renewed calls to increase Estonia's energy efficiency and its use of renewable energy sources, and to lessen the its energy dependence on Russia. Participants highlighted Estonia's interest not only in the Ignalina nuclear power project and connecting Estonia to Europe's power grid via Poland, but also in expanding energy ties to Finland and the rest of Scandinavia. End Summary.

¶2. (U) On May 14, Estonia's state electricity company Eesti Energia hosted an "Energy Forum for Opinion Leaders" in Tallinn. In his keynote address to the forum, Estonian President Toomas Hendrik Ilves urged reconsideration of Russia as an EU energy partner. Against the backdrop of recent trade disruption measures imposed by Russia on Estonia, Ilves said that it is not sensible policy for Estonia to have an electrical connection with Russia. He called on the EU to apply its trade rules consistently, for example, by examining Gazprom's secret supply agreements. He also suggested the EU take legal action against Gazprom's monopoly position in the market, just as the EU had vigorously pursued Microsoft's monopoly position in the operating system and internet browser market. Ilves further noted that Gazprom's practice of charging a higher price to foreign customers than to domestic ones violates WTO rules.

Supply, Sustainability & Competition

¶3. (U) Eesti Energia Chairman Sandor Liive, Minister of Economic Affairs and Communications Juhan Parts, and three other energy and foreign policy experts participated in the ensuing 3-hour panel on the future of Estonia's energy policy. The round-table format allowed each panelist to answer questions about Estonia's energy future from three major perspectives: security of supply, environmental sustainability with respect to climate change, and the need to increase competitiveness and efficiency. Minister Parts noted that ensuring "100 percent security of supply" tops the list of Estonia's priorities for the coming decade. Estonia's use of domestically-mined oil shale for electricity production helps, but Parts and Liive also identified several other steps Estonia should take to meet this goal:

- Perform repairs and upgrades to the national electricity grid;
- Complete construction of two new oil-shale fired power plants at Narva of 250-300 MW capacity each;

-- Steadily increase utilization of renewable energy sources (currently biomass and wind account for less than 1 percent of electricity generation);
-- Construct a second "Estlink" electricity cable to Finland; and
-- Continue cooperation with neighbors on nuclear power, and thereby link the Baltic power grid to that of Western Europe

Ignalina and NordStream

14. (SBU) In early 2006, the three Baltic countries (and later Poland) pledged to work together on a new nuclear power plant at Ignalina, Lithuania (reftel). In addition to viewing Ignalina as a means for diversifying its electricity supply, the GOE sees construction of the Ignalina plant as way to connect the Baltic countries to the Western European power grid (UCTE). Following the debate, Einari Kisel, Director of the Ministry of Economy's Energy Department, told us that indeed, the grid connector could be built with or without a new power plant at Ignalina, but the plant will increase Poland's incentive to support connection of the two grids. Liive noted that technically, connecting to the European grid is not difficult, but rather it is a political question. Ignalina, however, is not the only option Estonia is considering. At the Forum, Minister Parts commented that he plans to discuss with his counterparts in Finland the possibility of Estonia being a partner in a new (sixth) Finnish nuclear reactor.

15. (U) Minister Parts also briefly addressed the issue of the NordStream gas pipeline from Russia to Germany and whether this might pass through Estonian waters. "We should probably have another forum just on this subject, but since Gazprom owns Eesti Gaas, this is unlikely" he noted. (Note: Together, Gazprom and Germany's Ruhrgas own 70% of Eesti Gaas. On May 3, however, Parts met with representatives of NordStream for the first time. The company is currently preparing to re-submit a request to the Estonian Ministry of Environment to consider routing the pipeline through Estonian waters. End Note.)

PHILLIPS